



## **H.R. 2800/S. 1426 - Foreign Operations, Export Financing and Related Programs Appropriations Act for FY 2004**

Calendar No. 215

*S. 1426 was reported by the Committee on Appropriations as an original bill with a manager's amendment on July 17, 2003 by a vote of 29-0; S. Report 108-106.*

### **Noteworthy**

- The Senate will begin consideration of H.R. 2800/S. 1426, the Foreign Operations, Export Financing and Related Programs Appropriations Act for FY 2004, on October 24, 2003.
- S. 1426 provides \$18.14 billion in total budget authority (\$18.09 billion in discretionary budget authority and \$44 million in mandatory budget authority). The Committee recommendation is \$796 million below the President's budget estimate, and \$5.58 billion below the FY 2003 enacted level due primarily to P.L. 108-11, the Emergency Wartime Supplemental Appropriations Act of 2003.
- The House of Representatives approved its FY04 Foreign Operations, Export Financing and Related Programs Appropriations bill, H.R. 2800, on July 23, 2003, by a vote of 370-50. The House-passed bill provides nearly \$1 billion less in total budget authority.
- The Senate bill provides \$1 billion for the new Millennium Challenge Account, for developing nations that are pursuing political and economic reforms, which is \$300 million less than the President's request, but \$200 million more than the House bill.
- The Senate bill provides \$4.74 billion for USAID funding, \$122 million more than the President's request.

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## Highlights

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S. 1426 makes appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2004. The bill is organized into six areas by title, to include:

-Title I:	Export and Investment Assistance	-\$115.2 million*
-Title II:	Bilateral Economic Assistance	\$10.878 billion
-Title III:	Millennium Challenge Assistance	\$1 billion
-Title IV:	Military Assistance	\$4.56 billion
-Title V:	Multilateral Economic Assistance	\$1.81 billion
-Title VI:	General Provisions	

\*The administration did not request, nor did the Senate bill provide, funding for the Export-Import Bank for FY 2004 due to funds carried over from FY 2003.

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## House Action

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The House of Representatives approved its FY04 Foreign Operations, Export Financing and Related Programs Appropriations bill, H.R. 2800, on July 23, 2003, by a vote of 370-50. The House bill provides \$17.12 billion, an amount which is \$1.8 billion (9.4 percent) below the President's request, and nearly \$1 billion below S. 1426.

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## Bill Provisions

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### Title I Highlights - Export and Investment Assistance

- This title provides less in subsidy costs than in recent years as a result of a new methodology to measure international credit risk. The **Export-Import Bank** will have carryover from fiscal year 2003 to increase total credit authorizations from \$1.8 billion to \$14.6 billion. The Ex-Im Bank will receive \$74.4 million for administrative expenses and \$1 million for the Office of the Inspector General.
- The **Overseas Private Investment Corporation** will receive \$24 million for the cost of direct and guaranteed loans with a cap of \$41.4 million on administrative expenses.
- The **Trade and Development Agency** is appropriated \$50 million.

### Title II Highlights - Bilateral Economic Assistance

This title appropriates funds for carrying out the provisions of the Foreign Assistance Act of 1961. For FY 2004, the Committee recommendation is \$10.88 billion, a decrease of \$4.58 billion from the FY 2003 appropriation (due primarily to the Emergency Wartime Supplemental), and \$388 million less than the President's request.

- The Committee recommends \$4.74 billion for the **United States Agency for International Development**, which includes funds appropriated under child survival and health programs, development assistance, USAID operating

expenses, USAID Inspector General operating expenses, mandatory retirement expenses, international disaster assistance, famine fund, transition initiatives, and credit programs.

- Two major components of bilateral economic assistance are the **Child Survival and Health Programs Fund (CSHPF)** and the **Development Assistance** account. CSHPF is allocated \$1.44 billion for FY 2004. This account contains \$345 million for child survival and maternal health, \$30 million for vulnerable children, \$500 million for HIV/AIDS, \$185 million for other infectious diseases, and \$375.5 million for family planning/reproductive health. In addition to funding from CSHPF, **HIV/AIDS** programs receive \$1.36 billion in total funding from a variety of accounts, including \$700 million from the newly established Global AIDS Initiative (for a breakdown of HIV/AIDS funding sources see Title II). The **Development Assistance** account is provided \$1.4 billion for FY 2004 and includes \$220 million for basic educational programs, as well as funds for agriculture programs, which includes \$40 million for plant biotechnology research and development.
- **International Disaster Assistance** receives \$235 million for international disaster relief, rehabilitation, and reconstruction, which meets the President's request, but is \$52.6 million less than FY 2003.
- **Additional USAID** funding includes \$959 million for such items as the Famine Fund, Transition Initiatives, Development Credit Authority, Foreign Service Retirement and Disability Fund, Operating Expenses for USAID, Capital Investment Fund, and Operating expenses for the USAID OIG.
- The **Economic Support Fund** receives \$2.42 billion for several following items. **Country earmarks** include: Israel (\$480 million); Egypt (\$575 million); Jordan (\$250 million); Cyprus (\$15 million); Lebanon (\$35 million); Democratic Republic of Timor-Leste (\$25 million). Also, funding is provided for a variety of Middle and Near East programs totaling \$26 million, and \$22 million is appropriated for programs concerning conflict diamonds, and other programs.
- **Assistance for Eastern Europe and the Baltic States** includes \$445 million for the Support for East European Democracy (SEED) Act of 1989 with \$3 million for Bulgaria to enhance safety at nuclear power plants, \$1 million to promote interaction among youth in Albania, Kosovo, Montenegro, and Macedonia, and \$50 million for HIV/AIDS funding.
- **Assistance for the Independent States of the Former Soviet Union** contains \$596 million overall with \$20 million for the **Russian Far East**, \$3 million for programs authorized by section 307 of the FREEDOM Support Act (Public Law 102-511), \$20 million for assistance for the **Ukraine**, \$75 million for **Georgia**, and \$75 million for **Armenia**.
- Title II provides funds for independent agencies such as the **Inter-American Foundation** (\$16 million), the **African Development Foundation** (\$19 million), and the **Peace Corps** (\$310 million).

- **The State Department** receives \$2.130 billion, which is \$71 million less than the President's request, for a variety of programs including: **international narcotics control and law enforcement**, \$285 million; **Andean Counterdrug Initiative**, \$660 million, which is \$71 million less than the President's request; **migration and refugee assistance**, \$760 million, plus \$40 million for the U.S. Emergency and Migration Assistance Fund; and **nonproliferation, anti-terrorism, demining and related programs**, \$385 million plus \$15 million from the Foreign Military Financing account.
- **Treasury Department** funding includes \$12 million for international affairs technical assistance, and \$195 million for debt restructuring.

### **Title III – Millennium Challenge Assistance**

This title provides \$1 billion for assistance for countries that have demonstrated a commitment to (1) just and democratic governance, (2) economic freedom, and (3) investing in the well-being of their own people. The Senate bill provides \$300 million less than the President's request, but \$200 million more than the House bill. Title III provides brief authorizing language based on S. 1240, however the Appropriations Committee expects authorizing language to be acted upon prior to enactment of this appropriations bill.

### **Title IV Highlights – Military Assistance**

This title provides a total of \$4.56 billion, which is \$40 million less than the President's request, and \$1.84 billion less than FY 2003 for military assistance due primarily to the Emergency Wartime Supplemental.

- **International Military Education and Training** is appropriated \$92 million.
- **Foreign Military Financing Program** receives \$4.38 billion overall, which includes grants for Israel (\$2.16 billion including \$568 million for defense items and R&D), Egypt (\$1.3 billion), Jordan (\$206 million), and Armenia (\$2.5 million).
- Other items receiving funding include \$10 million for the **Nonproliferation and Disarmament Fund**; \$2 million for the **Small Arms/Light Weapons Destruction** program; and \$3 million for an additional contribution to the **International Atomic Energy Agency**.
- **Peacekeeping Operations** receive \$85 million.

### **Title V Highlights – Multilateral Economic Assistance**

This title appropriates \$1.81 billion for U.S. contributions to international lending institutions and for U.S. contributions to various international organizations and programs.

- **International financial institutions** receive \$1.50 billion, including: **Global Environment Facility** (\$171 million); **International Development Association** (\$977 million); **Inter-American Investment Corporation** (\$9 million); **Enterprise for the Americas Multilateral Investment Fund** (\$31 million);

**Asian Development Fund** (\$137 million); **African Development Bank** (\$5 million); **African Development Fund** (\$118 million); **European Bank for Reconstruction and Development** (\$35 million); **International Fund for Agriculture Development** (\$15 million).

- The bill provides \$315 million for contributions to various **international organizations and programs** including: **United Nations Children's Fund** (\$120 million); **United Nations Environment Program** (\$11 million); **United Nations Voluntary Fund for Victims of Torture** (\$6 million); **Organization of American States Fund for Strengthening Democracy** (\$4 million); and the **International Conservation Programs** (\$7 million).

## **Title VI Highlights – General Provisions**

This title contains a number of provisions related to specific policy issues, including:

### *General*

--\$600 million is for **Afghanistan** (sec. 623), and a provision allows funds under the heading 'Economic Support Fund' to be made available for assistance for **Iraq** (sec. 667).

--If the President determines it is in the national interest, Israel, Egypt, NATO, and major non-NATO allies may **finance the lease of defense articles** from U.S. commercial suppliers (not including Major Defense Equipment) (sec. 675).

--The President may forgive **foreign debt** owed to the United States (sec 671).

--Sec. 626 provides funding for **human rights** programs including \$35 million for activities to support democracy, human rights, and the rule of law in the People's Republic of China, Hong Kong, and Tibet, as well as \$25 million for programs and activities to foster democracy, human rights, civic education, women's development, press freedoms, and the rule of law in countries with a significant Muslim population.

--In regards to **Latin America**, \$5 million under the bill is for the Department of State to establish cooperation with appropriate agencies of the Government of **Cuba** on counter-narcotics matters (sec. 680). \$35 million is available for **Nicaragua** with priority given to provide alternative means of income for subsistence farmers and to promote judicial reform (sec. 685).

### *Prohibitions*

--Prohibits the use of funds to finance directly any assistance or reparations to Cuba, Libya, North Korea, Iran, Sudan, or Syria (sec. 607). Prohibits the use of funds for any government of a country whose duly elected head of government is deposed by decree or military coup (sec. 608).

--Prohibitions on funding related to **terrorism** include: no funds for any country which the President determines grants sanctuary or support to international terrorism (sec. 627); no lethal military equipment for a country listed as a terrorist state by the Secretary of State (sec. 642); funds for the bilateral West Bank and Gaza Program to or through any individual or entity that the Secretary of State knows or has reason to believe advocates,

plans, sponsors, or engages in terrorist activity (sec. 668); and no funds for the Government of Venezuela if it is assisting, harboring, or providing sanctuary for Colombian terrorist organizations (sec. 687).

--A number of sections concern **Israel** and the **Palestinian Authority**. Sec. 635 provides a sense of the Congress that the Arab League boycott of Israel should be immediately terminated. Under sec. 645, no funds may be used for assistance to the PLO for the West Bank and Gaza unless the President certifies the PLO recognizes the right of Israel to exist in peace and security. Similarly, funds are prohibited for the Palestinian Authority or in support of a Palestinian state, unless the President certifies that the Palestinian Authority has taken steps to arrest terrorists, confiscate weapons, and dismantle the terrorist infrastructure (secs. 652 & 663). Also, no funds are allowed to create in Jerusalem a new U.S. Government office for the purpose of conducting official business with the Palestinian Authority over Gaza and Jericho (sec. 648).

--In regards to states of the **former Soviet Union**, sec. 617 prohibits funding to Independent States of the Former Soviet Union unless the relevant government is making progress in economic reforms. No funds are available for the Government of the Russian Federation unless the President determines that no government action has been taken that would discriminate against religious groups (sec. 631). Finally, no funds are to be available for Uzbekistan or Kazakhstan unless the Secretary of State determines they are making progress on human rights and democratic principles (sec. 674).

--Concerning the **former Yugoslavia**, no funds may be given to countries aiding war criminals wanted by the International Tribunal for the former Yugoslavia (sec. 676). Also, funds are available for Serbia if it is cooperating with the International Tribunal for the former Yugoslavia, and taking steps consistent with the Dayton Accords (sec. 678).

--Several provisions address **human rights abuses** by foreign militaries. Funds are prohibited for any unit of the security forces of a foreign country if the unit has committed gross violations of human rights, unless the Secretary of State determines that the government is taking steps to bring the responsible members of the unit to justice (sec. 653). Title VI also specifically restricts funding and provision of military equipment for Nigeria (sec. 657), Colombia (sec. 664) and Indonesia (sec. 669).

--Prohibits funds for **abortions** as a method of family planning or to motivate or coerce any person to practice abortions or involuntary sterilization (sec. 618). Also funds appropriated for the United Nations Population Fund (UNFPA) are available unless the President determines that the UNFPA supports a program of coercive abortion or involuntary sterilization (sec 673). No funds for the UNFPA may be used in the People's Republic of China.

--No funds may be given to a country that has aided or abetted, within the previous six months, in the illicit distribution, transportation, or sale of **diamonds** mined in Sierra Leone or Liberia (sec. 670), and no OPIC or Ex-Im Bank funds may be used in relation to conflict diamonds (sec. 682).

--Title VI prohibits the use of funds to finance the export of **nuclear** equipment, fuel, or technology, except for purposes of nuclear safety (sec. 606).

--The bill prohibits the issuance of a visa for any alien that has provided any support to the **FARC, ELN, or AUC** (sec. 665).

#### *Restrictions*

--Funds in the bill for the **Government of Thailand** are available if it: (1) supports the advancement of democracy in **Burma** and is taking action to sanction the military junta in Rangoon; (2) is not hampering the delivery of humanitarian assistance to people in Thailand who have fled Burma; and (3) is not repatriating Burmese to Burma (sec. 689).

--A number of provisions speak to how U.S. officials are directed to **vote in international financial institutions** including: in favor of support projects in Tibet as long as they do not provide incentives for the migration and settlement of non-Tibetans into Tibet (sec. 650); against extension of loans to Zimbabwe (sec. 656); against extension of loans, financial or technical assistance to the bank of Burma (sec. 658); and against extension of loans to Cambodia (sec. 660).

#### *Reports*

--Notification is to be given to the Committees on Appropriations before funding is expended for Colombia, Liberia, Serbia, Sudan, Zimbabwe, Pakistan, or the Democratic Republic of the Congo (sec. 620).

--The Secretary of Defense and the Secretary of State are to report on all **training of foreign military personnel** except for NATO, and NATO accession countries (sec. 661).

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### **Administration Position**

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No Statement of Administration Policy (SAP) was available at press time.

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### **Cost**

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The Committee estimates the bill provides \$18.14 billion in discretionary and mandatory budget authority (\$18.09 billion in discretionary budget authority and \$44 million in mandatory budget authority). Projected outlays for future years include: FY 2004 (\$6.5 billion); FY 2005 (\$6.3 billion); FY 2006 (\$2.6 billion); FY 2007 (\$1.4 billion); FY 2008 and future years (\$1.1 billion).

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### **Possible Amendments**

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No amendments were reported at press time.